

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6457

BILL NUMBER: SB 258

DATE PREPARED: Feb 16, 2001

BILL AMENDED: Feb 15, 2001

SUBJECT: Sales Tax on Motor Fuel.

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill provides that 10% of the Sales taxes collected on gasoline and special fuel shall be distributed among certain funds for airport development, high speed rail development, public mass transportation, commuter rail service and industrial rail service. The bill provides that the remaining 90% of the sales taxes collected on gasoline and special fuel shall be distributed to the Highway, Road and Street Fund (55% of the money deposited into this fund is transferred to the State Highway Fund for use by the Indiana Department of Transportation, with the remaining 45% transferred to the Local Road and Street Account for use by local units of government). It also makes conforming changes.

Effective Date: July 1, 2001.

Explanation of State Expenditures: The bill may require minor administrative changes within the Department of State Revenue and the Auditor of State's Office. Any costs associated with these changes are expected to be minimal and to be covered using existing staff and resources.

Explanation of State Revenues: (Revised) This bill changes the distribution of revenue received from the Sales Tax collected on gasoline and special fuels. Under current law, revenue from the Sales Tax on motor fuels is distributed, as is revenue from all Gross Retail (Sales) and Use taxes, in the following manner: the State General Fund (59.03%), the Property Tax Replacement Fund (40.00%), the Public Mass Transportation Fund (0.76%), the Commuter Rail Service Fund (0.17%), and the Industrial Rail Service Loan Fund (0.04%). This bill will change the distribution such that 10% of the Sales Tax revenue collected from the sale of gasoline and special fuels will be distributed to the Airport Development Grant Fund (2%), the High Speed Rail Development Fund (1%), the Public Mass Transportation Fund (5%), the Commuter Rail Service Fund (1%), and the Industrial Rail Service Fund (1%). The remaining 90% will be distributed to the Highway, Road, and Street Fund.

The Sales Tax on gasoline and special fuels is expected to generate approximately **\$135.8 M** in FY 2002.

Of this amount, \$122.2 M (90%) would be distributed to the Highway, Road, and Street Fund, and \$13.6 M (10%) would be distributed amongst the following: the Airport Development Grant Fund, \$2.7M (2%); the High Speed Rail Development Fund, \$1.4 M (1%); the Public Mass Transportation Fund, \$6.8M (5%), the Commuter Rail Service Fund \$1.4 M (1%), and the Industrial Rail Service Fund \$1.4 M (1%). Due to the timing of remittance and posting of motor fuel sales tax returns, a portion of the revenue generated during FY 2002 may not be available for distribution until FY 2003.

The following table illustrates how these funds would be distributed under current law and with the changes proposed in this bill.

Estimated FY 2002 Sales Tax Revenue on Gasoline and Special Fuels, as distributed under current law and with the proposed changes.			
Fund	Current Law	Proposed Law	Difference
State General Fund	\$80,165,279	-0-	(\$80,165,279)
Property Tax Replacement Fund	54,321,720	-0-	(54,321,720)
Industrial Rail Service Fund	54,322	1,358,043	1,303,721
Public Mass Transportation Fund	1,032,113	6,790,215	5,758,102
Commuter Rail Service Fund	230,867	1,358,043	1,127,176
Highway, Road, and Street Fund	-0-	122,223,871	122,223,871
Airport Development Grant Fund	-0-	2,716,086	2,716,086
High Speed Rail Development Fund	-0-	1,358,043	1,358,043
Total	\$ 135,804,301	\$ 135,804,301	-0-
Note: This table assumes twelve months of sales tax revenue collection. The timing of the posting and remittance of funds could cause the distribution of up to 20% of the projected amount to be delayed until FY 2003.			

Of the **\$122,223,871** to be distributed to the Highway, Road, and Street Fund, a portion is distributed to the Indiana Department of Transportation (55%) and to the Local Road and Street account (45%) for use by local units of government. Based on these shares, the Department of Transportation would receive approximately **\$67.2 M** and local units would receive approximately **\$55.0 M**.

Background Information: Future sales tax collections on gasoline and special fuels are contingent upon the price and quantity of fuel consumed by motorists in Indiana. The above estimate is a projection based on historical consumption data provided by the Department of State Revenue and projected fuel prices from the U.S. Department of Energy, Office of Energy Information. The data were adjusted for inflation and the expected growth in Indiana income. It is important to note that fluctuations in the price of gasoline will affect the amount of sales tax revenue collected.

Explanation of Local Expenditures:

Explanation of Local Revenues: Under this proposal, it is estimated that the Sales Tax on gasoline and special fuels will generate approximately **\$55.0 M** for distribution to local entities in FY 2002 (45% of the

monies distributed to the Highway, Road, and Street Fund). Because of the timing and remittance of the funds, however, revenue collected in FY 2002 may not be available for distribution by the end of the fiscal year. Local entities are estimated to receive approximately \$23.3 M in CY 2002 and \$56.0 M in CY 2003. Detailed information regarding the proposed distributions to local entities is available from the Legislative Services Agency.

State Agencies Affected: Indiana Department of Transportation; Department of State Revenue; Auditor of State.

Local Agencies Affected: All Counties, Cities, and Towns.

Information Sources: Department of State Revenue; U.S. Bureau of Labor Statistics; U.S. Census Bureau; U.S. Department of Energy, Energy Information Agency.